



## 2 Top Energy Stocks to Buy in Canada

### Description

The Toronto Stock Exchange (TSX) fell 229.40 points on July 9, 2021 — its worst day since February. However, it bounced back quickly the next day with a broad rally to finish higher at 20,258. The energy sector maintained its grip on the leader board with its nearly 50% year-to-date gain.

Meanwhile, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **ARC Resources** ([TSX:ARX](#)) continue to outperform the broader market. If you look to capitalize on the energy sector's strong momentum, the two stocks are excellent buys today on the TSX.

### Reclaiming its rightful standing

Suncor Energy is easily the hands-down choice for value or [growth investors](#) in 2021. The confidence of Canada's five largest pension funds in oils sands producers are high. In Q1 2021, the group's cumulative investment increased 147% to \$2.1 billion. Besides Suncor, investments in **Canadian Natural Resources**, **Cenovus Energy**, and **Imperial Oil** likewise increased.

Even **Goldman Sachs's** analyst Umang Choudhary believes that Canadian oil producers are the attractive buys at their current levels. All of them, particularly Suncor, are primed to produce more free cash flow. Current investors are up 37.75% year to date on the stock market and enjoy a respectable 2.85% dividend.

Market analysts are bullish and forecast a price appreciation of as much as 58.78%, from \$28.97 to \$46, in the next 12 months. The \$43.95 billion integrated energy company benefits from higher oil prices. If the resurgence persists, expect Suncor to improve profits due to better margins.

Suncor's financial results in Q1 2021 are mighty impressive. Notably, net earnings were \$821 million compared to the staggering \$3.53 billion net loss in Q1 2020. Furthermore, funds from operation during the quarter increased 111% to \$2.11 billion.

## Significant milestone

ARC Resources turned 25 years old on July 11, 2021. The \$7.32 billion company endured massive headwinds and changing environments throughout its years of corporate existence. Today, it's Canada's largest condensate producer, third-largest natural gas producer, and sixth-largest upstream energy company.

This energy stock is among TSX's high flyers in 2021 with its 70.99% year-to-date gain. ARC's trailing one-year price return is 120%. At \$10.12 per share, the company pays a decent 2.37% dividend. It should be sustainable given the low 45.28% payout ratio.

On April 6, 2021, the largest pure-play Montney producer completed the acquisition of Seven Generations Energy, a top Canada Pension Plan Investment Board (CCPIB) holding before the all-share transaction. In Q1 2021 (quarter ended March 31, 2021), ARC reported record production and substantial free funds flow. Its quarterly net income was \$178 million.

Management believes that ARC Resources is in a transformational phase following the business combination with Seven Generations Energy. The immediate focus is to integrate the two companies successfully. The strategy should deliver cost savings and synergies and result in a more resilient, profitable, and efficient business in the coming quarters.

Market analysts are upbeat and recommend a strong buy rating for ARC Resources. They see a potential upside of between 30.93% (\$13.25) and 72.92% (\$17.50) in the next 12 months.

## Buy alert

Suncor Energy and ARC Resources are excellent buys in Q3 2021 for value and growth investors alike. Their respective business outlooks and income-generating potential are encouraging. Both energy stocks are likely to deliver outsized gains this year and beyond. Would-be investors can earn two ways, price appreciation, and steady dividends.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:ARX (ARC Resources Ltd.)
3. TSX:SU (Suncor Energy Inc.)

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2. Koyfin

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